National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended 31 December 2014

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

The Board's top priorities are the continual improvement of safety and environmental protection, a robust regulatory framework for the North, and a flexible and efficient organization able to meet new and ongoing priorities.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates.*

The NEB receives its funding through annual Parliamentary authorities. The majority of these expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2014-15 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

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The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

- Year to date personnel spending at the end of the second quarter is $7.3M greater than the same period in the previous year. Approximately $4.6M of this variance is related to the elimination of the employee severance pay program for represented employees in 2013-14. These amounts are recoverable as part of the eligible pay list and this variance is expected to be eliminated at or prior to fiscal year end. The remaining $2.7M increase in personnel costs is related to the signing of a new collective agreement in the third quarter of 2013-14, and filling vacancies resulting in an increase of FTEs over last year.

- The increase of $1.6M in other subsidies and payments is mostly due to a one-time transition payment in Quarter 1 for implementing salary payment in arrears by the Government of Canada.

- The NEB office relocation has also affected various expenditures. Rentals have increased by $2.4M for swing space, acquisition of machinery and equipment has increased by $1.1M, acquisition of land, buildings and works has increased by $0.9M, and professional and special services expenditures have decreased by $2.4M at the end of the second quarter over the same period in the previous year, primarily due to this office relocation.

Planned Expenditures

The variances in planned expenditures for 2014-2015 over the previous year are as follows:

- The office relocation accounts for approximately $8.3M in additional funding for 2014-15, a decrease of $4.1M received for the move in 2013-14.

- Funding for the NEB's Participant Funding Program has increased by $1.5M in 2014-15 over the previous year as a result of special purpose funding for projects that were expected to occur in 2014-15. An allocation of $2.25M was frozen for this program in Quarter 3, resulting in a net YTD decrease of $0.8M.

- Other significant planned expenditure changes are: $5.8M was received in Q3 of 2014-15 for Mega Hearing Funding, the Operating Budget Carry Forward (OBCF) received in

2014-15 was $1.6M higher than the OBCF received in 2013-14, and the Government of the Northwest Territories (GNWT) Devolution decreased our authorities by $1.6M.

Risks and Uncertainties

Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditures and resource pressures. The NEB's responsibilities are not only shaped by emerging energy trends, but also by the proactive consideration of safety, environmental, societal and economic trends that may influence the NEB's ability to carry out its responsibilities in the Canadian public interest.

The NEB employs a risk-informed compliance verification program, which considers resource requirements to perform compliance activities and ensure those activities are completed in accordance with the plan. Corrective actions are monitored and regulated companies' operating environments observed for emerging risks and trends. In addition to increasing the number of inspections and audits conducted, the NEB's Administrative Monetary Penalties (AMPs) framework provides the NEB with additional enforcement mechanisms

The skills and experience needed by the NEB continue to be in high demand due to private sector demand in Calgary and increased workloads at the NEB. The NEB regularly reviews its People Strategy and measures employee engagement and work-life balance on a quarterly basis, which informs leadership decisions on areas of focus and assists in responding to staff concerns and interests. Staff development is supported with access to training and new career opportunities in a challenging work environment.

Significant Changes in Relation to Operations, Personnel and Programs

The National Energy Board office relocation that occurred in the first quarter of 2014-15 resulted in an increase to NEB authorities.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

The NEB was unaffected by the savings measure announced in Budget 2012. Conversely the department received additional funding to strengthen pipeline safety.

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Approval by Senior Officials

Approved by,

C. Peter Watson, P. Eng. FCAE
Chair and CEO

John Pinsent, CGA
Chief Financial Officer

(Calgary, Canada)
(27 February 2015)

STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end
Operating expenditures	74,219	17,762	58,187	74,026	15,160	46,189
Contributions to employee benefit plans	7,578	1,690	5,071	7,195	1,799	5,396
Total Budgetary authorities	**81,797**	**19,452**	**63,258**	**81,221**	**16,959**	**51,585**
Non-budgetary authorities						
Total authorities	**81,797**	**19,452**	**63,258**	**81,221**	**16,959**	**51,585**

More information is available in the attached table.

** Includes only Authorities available for use and granted by Parliament at quarter-end.*

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2014-15			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end
Expenditures:						
Personnel	56,064	15,149	48,381	53,917	13,727	41,060
Transportation and communications	4,463	948	2,054	3,524	851	2,168
Information	994	96	239	574	65	207
Professional and special services	13,633	1,902	4,451	6,575	2,004	6,674
Rentals	862	211	2,839	3,931	78	412
Repair and maintenance	1,299	187	876	471	35	533
Utilities, materials and supplies	399	139	307	471	86	229
Acquisition of land, buildings and works	-	412	841	7,822	-	-
Acquisition of machinery and equipment	2,719	303	1,553	1,750	39	187
Transfer payments	1,364	55	111	2,114	91	102
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	50	1,606	72	(17)	13
Total gross budgetary expenditures	**81,797**	**19,452**	**63,258**	**81,221**	**16,959**	**51,585**

** Includes only Authorities available for use and granted by Parliament at quarter-end.*